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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001731

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E.O. 12958: DECL: 05/19/2016  
TAGS: [PGOV](#) [ECON](#) [TW](#) [ETRD](#) [CH](#) [US](#)  
SUBJECT: MA YING-JEOU: FTA ESSENTIAL TO TAIWAN  
COMPETITIVENESS AND ECONOMIC SECURITY

Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶11. (C) Summary: During a May 19 meeting with the Director, Taipei Mayor and KMT Chairman Ma Ying-jeou reviewed his recent visits to Singapore and Australia. He also volunteered that he is frustrated with the lack of progress toward a U.S.-Taiwan Free Trade Agreement (FTA), arguing that without an FTA with the U.S., Taiwan will become increasingly uncompetitive and economically isolated. Ma reported that "Checkbook diplomacy" is the most intractable cross-Strait battleground, but it is the natural result of China's attempt to squeeze Taiwan's diplomatic living space. Taiwan will continue to fight back until the PRC agrees to a "modus vivendi" which affords Taiwan sufficient international participation. End Summary.

¶12. (C) On May 19, Director Young met with Taipei Mayor and KMT Chairman Ma Ying-jeou to discuss Ma's recent visits to Singapore and Australia, the upcoming TIFA talks led by DUSTR Bhatia, and to review the thought process behind the U.S. decision regarding President Chen's most recent transit request.

Singapore Trip: Time for FTA Has Passed

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¶13. (C) During his fifteen-hour stop in Singapore, Ma met with Prime Minister Lee Hsien Loong, Senior Minister Goh Chok Tong, and Minister Mentor Lee Kuan Yew. According to Ma, the discussed a possible Taiwan-Singapore trade agreement. SM Goh told Ma that, although Singapore had been interested in an FTA in early 2000, interest had been stifled by concerns that the Chen government would use an FTA to bolster claims of Taiwan "sovereignty." Ma asked Goh whether Singapore would support the idea of ASEAN ten-plus-four, including Taiwan. Goh responded that Taiwan kept trying to use the ASEAN forum to make a "diplomatic breakthrough." Ma said he defended "his president's decision" to push for Taiwan membership in the ASEAN forum because Taiwan is increasingly economically isolated. PM Lee refused to discuss the subject of a Taiwan-Singapore trade agreement at all.

¶14. (C) Ma told the Director that if elected he hoped to resolve Taiwan's trade isolation problem at its source, by working out some kind of FTA with the PRC, but he admitted this would take time. The Director responded that Singapore

PM Lee would likely welcome that, since Singapore has been an outspoken proponent of peace and prosperity across the Taiwan Strait.

¶ 15. (C) Ma said that the Singaporean government was proud of its role in brokering the 1993 talks between Wang Daohan and Koo Chen-fu, and it had carefully preserved the conference room where the talks had taken place. (Note: Singapore Deputy Trade Representative Ho Tong Yen told AIT that Ma had requested a meeting at the Wang-Koo conference room only two days before his arrival. The Singaporean government did not preserve the room as it was, but did arrange furniture in a similar configuration prior to Ma's arrival. End note.) Ma said he went to the Wang-Koo conference room to emphasize that the 1993 meetings could not have happened without the existence of the "1992 Consensus." Ma reminded the Director that he had been one of the architects behind the 1993 talks, and had hoped at the time the Wang-Koo talks would evolve into "institutionalized negotiations."

#### Australia: Checkbook Diplomacy Put Ma On The Defensive

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¶ 16. (C) Ma spent a day and a half in Australia; he met with Minister of Vocational Training Gary Hardgrave and Foreign Ministry deputy secretary Jeff Raby. Ma also delivered remarks at the Lowy Institute for International Policy. Ma said he was surprised at the amount of coverage given to his visit by the Australian press, who were especially critical of Taiwan's "checkbook diplomacy" in the Solomon Islands. Ma told the Director that Taiwan's checkbook diplomacy must continue as long as the PRC continues to squeeze Taiwan's international living space. If both sides agree to a "modus vivendi" that affords Taiwan sufficient international

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participation, Ma said, then Taiwan will not be forced to rely on its checkbook to preserve its international space. Ma said Lien Chan raised the "modus vivendi" idea on each of his visits to Beijing, and that the PRC has already expressed its agreement to the idea in principle, making now the "most auspicious" time to discuss it in earnest.

¶ 17. (C) The Director asked Ma whether he expected his dealings with China to become more difficult if he becomes president in 2008. Ma claimed he has a pragmatic, not "overly rosy" outlook on what he will face in dealing with China if he is elected president. He added that he expects to have a brief honeymoon period in the beginning, but cannot tell how long that period would last.

#### Chen's U.S. Transit Request: A Problem For Any President

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¶ 18. (C) The Director explained to Ma that in deciding on President Chen's transit request, the USG had to consider several factors, including U.S. national interests in fostering productive Security Council discussions on Darfur and Iran, avoiding further difficulties following a complicated visit to the U.S. by PRC President Hu Jintao, and the special relationship that the U.S. has with Taiwan. He continued by urging Ma and the KMT not to compare Chen's transit and Ma's visit, since their respective positions and circumstances were so different. The Director commended Ma for not making political hay of President Chen's difficulties, and he reminded Ma that Washington must subject each transit request by any Taiwan president to the same balancing process, taking into consideration the circumstances and political environment at the time of the request. Ma showed considerable understanding of this issue, and apparently grasps its significance for any future Taiwan President.

Ma: No FTA Equals Greater Dependence on China

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¶9. (C) Ma raised Taiwan's interest in a Free Trade Agreement with the U.S. The Director noted that DUSTR Bhatia's upcoming visit would present a good opportunity to focus on the positives of the U.S.-Taiwan relationship. The U.S. takes its trade relationship with Taiwan very seriously, and although an FTA at the present time would be difficult, nothing was off the table. Ma said if Taiwan is unable to secure an FTA with Singapore or the U.S., it will face the prospect of being marginalized economically. The Director remarked that perhaps the best outcome would be for Taiwan to work to make the Doha Round a success, by eliminating protections for its agricultural industries.

¶10. (C) Ma said that during his visit to the U.S., he was concerned by what he saw as a lack of political will on the part of the U.S. leadership to conclude an FTA with Taiwan. Ma said, if Taiwan is unable to make progress with the U.S. on trade issues, then Taiwan will have little choice but to seek a trade agreement with the PRC. According to Ma, this would be tantamount to Taiwan "putting all its eggs in one basket." The Director responded that increased Taiwan-PRC economic integration would be good as long as Taiwan benefited from the arrangement. Ma urged the Director to convey to Washington and DUSTR Bhatia Taiwan's frustration at the lack of progress on an FTA.

¶11. (C) Ma told the Director that, since assuming the Chairmanship, he has tried to turn the KMT into a responsible opposition party. Ma said he instructed the KMT caucus not to respond to the DPP's confrontational opposition to the recent bill to liberalize cross-Strait transportation links. Ma had just come from a meeting with KMT LY President Wang Jin-pyng, where he had urged Wang to reach a KMT consensus on arms procurement before the end of this LY session. Responding to President Chen's May 18 public call for another summit with him, Ma said he is presently unwilling to meet with President Chen a second time. However, Ma has instructed KMT leaders to seek dialogue with DPP counterparts during a government-sponsored economic forum in mid-June.

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Comment

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¶12. (C) Ma's advocacy of the struggle for "diplomatic breathing space" and an FTA represents two rare instances of the opposition KMT's finding common cause with its bitter DPP rivals. This seems to reflect Ma's confidence that he can win the Presidential sweepstakes in 2008, and his corresponding concern that Chen Shui-bian's headaches over these issues will become his if he succeeds in replacing his long-term rival.

YOUNG